1981 ANNUAL FINANCIAL REPORT
Chicago-O'Hare International Airport

City of Chicago, Illinois
Jane M. Byrne, Mayor

Anthony N. Fratto, City Comptroller

Department of Aviation
Thomas Kapsalis, Commissioner

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CHICAGO-O'HARE INTERNATIONAL AIRPORT

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1981 AND 1980

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CHICAGO-O'HARE INTERNATIONAL AIRPORT

FINANCIAL STATEMENTS

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ACCOUNTANTS' REPORT

The Honorable Mayor and Members
of the City Council of the
City of Chicago
Chicago, Illinois

We have examined the balance sheet of Chicago-O'Hare International Airport as of December 31, 1981, and the related statements of changes in contributed capital, changes in retained earnings, revenues and expenses, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Chicago-O'Hare International Airport for the year ended December 31, 1980, were examined by other auditors whose opinion, dated May 8, 1981, on those statements was qualified as to the effects on the financial statements of the failure to comply with certain provisions of the Revenue Bond Ordinance.

As discussed in Note 1 to the financial statements, expenditures are made from operating revenues for capital improvements, which is not permitted under the Revenue Bond Ordinance.

In our opinion, except for the effects on the financial statements of not complying with certain provisions of the Revenue Bond Ordinance as discussed in the preceding paragraph, the 1981 financial statements referred to above present fairly the financial position of Chicago-O'Hare International Airport as of December 31, 1981, and the results of its operations and the changes in its financial position, and the changes in its contributed capital and retained earnings for the year then ended, in conformity with generally accepted accounting principles and the provisions of the Revenue Bond Ordinance applied on a basis consistent with that of the preceding year.

Bernstein and Bank, Ltd.

May 21, 1982

EXHIBIT A

CHICAGO-O'HARE INTERNATIONAL AIRPORT
BALANCE SHEETS
DECEMBER 31, 1981 AND 1980

ASSETS

	1981	1980
CURRENT ASSETS		
Cash	$ 13,520,623	$ 10,126,914
Investments - U.S. Government Securities, at Cost	18,751,272	18,407,791
Accounts Receivable, Less Allowance for Doubtful Accounts of $1,100,000 in 1981 and $1,592,760 in 1980	10,584 959	10,288,949
Due from Other City of Chicago Funds	1,433,167	921,756
Prepaid Expenses and Deposits	487,886	450,917
Due from Restricted Funds	24,424	247,154
Total Current Assets	44,802,331	40,443,481
RESTRICTED ASSETS		
Cash, Including Certificates of Deposit of $1,148,000 in 1980 (None in 1981)	399,878	1,777,249
Investments - U.S. Government Securities, at Cost	64,082,858	56,615,820
Accrued Interest Receivable	784,773	580,956
Total Restricted Assets	65,267,509	58,974,025
FIXED ASSETS		
Land	55,294,641	50,994,641
Buildings and Other Facilities	327,569,872	314,326,230
Construction in Progress	9,855,854	16,732,874
	392,720,367	382,053,745
Less - Allowance for Depreciation	172,113,367	160,629,158
Net Fixed Assets	220,607,000	221,424,587
TOTAL ASSETS	$330,676,840	$320,842,093

LIABILITIES AND FUND EQUITY

	1981	1980
CURRENT LIABILITIES		
Current Portion of Revenue Bonds Payable (Note 2)	$ 6,354,000	$ 6,036,000
Accounts Payable	10,703,355	10,365,401
Due to Other City of Chicago Funds	5,315,318	3,064,089
Total Current Liabilities	22,372,673	19,465,490
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accounts Payable	22,426	180,138
Due to Other City of Chicago Funds	369,418	150,262
Airline Deposits (Note 4)	258,109	907,565
Due to Unrestricted Funds	24,424	247,154
Total Liabilities Payable from Restricted Assets	674,377	1,485,119
LONG-TERM LIABILITIES		
Revenue Bonds Payable, Net of Current Portion (Note 2)	50,790,000	68,541,000
DEFERRED LIABILITIES		
Deferred Rental Income (Note 3)	364,027	412,724
Total Liabilities	74,201,077	89,904,333
FUND EQUITY		
Contributed Capital	115,522,195	107,951,420
Retained Earnings		
Reserved	92,400,688	84,090,173
Unreserved	48,552,880	38,896,167
Total Retained Earnings	140,953,568	122,986,340
Total Fund Equity	256,475,763	230,937,760
TOTAL LIABILITIES AND FUND EQUITY	$330,676,840	$320,842,093

The accompanying notes to financial statements are an integral part of these statements.

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EXHIBIT B

CHICAGO-O'HARE INTERNATIONAL AIRPORT
STATEMENTS OF CHANGES IN CONTRIBUTED CAPITAL
YEARS ENDED DECEMBER 31, 1981 AND 1980

	City of Chicago	State and Federal	Public Utility, Concessionaire and Airline	Total
Balance, January 1,1980	$19,897,689	$49,972,931	$ 35,387,748	$105,258,368
Add -				
Increase in Fixed Assets				
City of Chicago, Net	3,951,994	-	-	3,951,994
Public Utility, Concessionaire and Airlines Contributed	-	-	328,282	328,282
From Operating Revenues	-	-	1,437,273	1,437,273
	3,951,994	-	1,765,555	5,717,549
	23,849,683	49,972,931	37,153,303	110,975,917
Less -				
Provision for Depreciation and Amortization	298,284	1,541,127	1,185,086	3,024,497
Balance, December 31, 1980	23,551,399	48,431,804	35,968,217	107,951,420
Add -				
Increase (Decrease) in Fixed Assets				
City of Chicago, Net	5,454,909	-	-	5,454,909
State and Federal Governmental Agencies	(11,655,913)	12,354,508	-	698,595
Public Utility, Concessionaire and Airlines Contributed	-	-	860,003	860,003
From Operating Revenues, Net of Grant Proceeds Received for Prior Years Capital Expenditures of $698,595	-	-	3,653,115	3,653,115
	(6,201,004)	12,354,508	4,513,118	10,666,622
	17,350,395	60,786,312	40,481,335	118,618,042
Less -				
Provision for Depreciation	368,302	1,496,837	1,230,708	3,095,847
Balance, December 31, 1981	$16,982,093	$59,289,475	$ 39,250,627	$115,522,195

The accompanying notes to financial statements are an integral part of these statements.

EXHIBIT C

CHICAGO-O'HARE INTERNATIONAL AIRPORT
STATEMENTS OF CHANGES IN RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 1981 AND 1980

	1981			1980		
	Reserved	Unreserved	Total	Reserved	Unreserved	Total
Balance, Beginning of Year	$ 84,090,173	$ 38,896,167	$122,986,340	$ 75,415,857	$ 25,394,530	$100,810,387
Add (Deduct) -						
Revenues in Excess of Expenses	-	18,524,496	18,524,496	-	20,588,729	20,588,729
Allocation of "Net Revenue" as Defined by the Revenue Bond Ordinance	48,428,574	(48,428,574)	-	48,043,608	(48,043,608)	-
Interest Earned on Investments, Restricted	7,802,385	(7,802,385)	-	4,327,676	(4,327,676)	-
Provision for Depreciation of Assets Contributed	-	3,095,847	3,095,847	-	3,024,497	3,024,497
Transfer of Premiums on Revenue Bonds Retired	19,350	(19,350)	-	173,750	(173,750)	-
Application of Deferred Income from Preceding Year as Reduction of Flight Fees	(26,601,267)	26,601,267	-	(17,259,265)	17,259,265	-
Amounts Expended for Retirement of Revenue Bonds, Net of Discount of $175,377 in 1981 and $199,856 in 1980	(17,276,973)	17,276,973	-	(21,863,894)	21,863,894	-
Transfer to Contributed Capital for Amount of Fixed Assets Acquired with Operating Revenue, Net of Grant Proceeds Received for Prior Years Capital Expenditures of $698,595	-	(3,653,115)	(3,653,115)	-	(1,437,273)	(1,437,273)
Interest Paid on Revenue Bonds	(3,729,422)	3,729,422	-	(4,687,497)	4,687,497	-
Expenditures from Reserve Maintenance Account	(332,132)	332,132	-	(60,062)	60,062	-
Balance, End of Year	$ 92,400,688	$ 48,552,880	$140,953,568	$ 84,090,173	$ 38,896,167	$122,986,340

The accompanying notes to financial statements are an integral part of these statements.

EXHIBIT D

CHICAGO-O'HARE INTERNATIONAL AIRPORT
STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31, 1981 AND 1980

	1981	1980
Operating Revenues		
Flight Fees	$41,463,349	$45,610,247
Rent, Concessions and Other	47,750,769	48,648,829
Total Operating Revenues	89,214,118	94,259,076
Operating Expenses		
Salaries and Wages	33,390,667	28,083,324
Provision for Depreciation and Amortization	11,484,209	11,412,860
Repairs and Maintenance, Including Expenditures from Reserve Maintenance Account	11,255,147	13,551,402
Other Operating Expenses	23,275,370	22,999,584
Total Operating Expenses	79,405,393	76,047,170
Total Operating Income	9,808,725	18,211,906
Nonoperating Income (Expense)		
Interest Earned on Investments	12,289,166	7,038,214
Discount, Net of Premiums on Revenue Bonds Retired	156,027	26,106
Interest Incurred on Revenue Bonds	(3,729,422)	(4,687,497)
Net Nonoperating Income	8,715,771	2,376,823
Revenues in Excess of Expenses	$18,524,496	$20,588,729

The accompanying notes to financial statements are an integral part of these statements.

CHICAGO-O'HARE INTERNATIONAL AIRPORT
STATEMENTS OF CHANGES IN FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 1981 AND 1980

	1981	1980
Sources of Working Capital		
From Operations		
Revenues in Excess of Expenses	$18,524,496	$20,588,729
Add (Deduct) Items Not Affecting Working Capital		
Provision for Depreciation and Amortization	11,484,209	11,412,860
Amortization of Deferred Revenue	(48,697)	(48,697)
Total From Operations	29,960,008	31,952,892
Airline Contributions for Fixed Assets	860,003	328,282
Decrease in Net Restricted Assets	-	667,686
Grant Proceeds Received for Prior Years Capital Expenditures	698,595	-
City of Chicago Net Contributions for Fixed Assets	5,454,909	3,951,994
Total Sources of Working Capital	36,973,515	36,900,854
Uses of Working Capital		
Acquisition of Fixed Assets	10,666,622	5,717,550
Decrease in Long-Term Liabilities	17,751,000	22,190,000
Increase in Net Restricted Assets	7,104,226	-
Total Uses of Working Capital	35,521,848	27,907,550
Increase in Working Capital	$ 1,451,667	$ 8,993,304
Changes in Components of Working Capital		
Increase (Decrease) in Current Assets		
Cash	$ 3,393,709	$(2,495,366)
U.S. Government Securities	343,481	12,462,300
Accounts Receivable, Net	296,010	(3,255,732)
Due from Other City of Chicago Funds	511,411	(633,901)
Prepaid Expenses and Deposits	36,969	134,940
Due from Restricted Funds	(222,730)	247,154
	4,358,850	6,459,395
Increase (Decrease) in Current Liabilities		
Current Portion of Revenue Bonds Payable	318,000	300,000
Accounts Payable	337,954	28,928
Due to Other City of Chicago Funds	2,251,229	(2,764,293)
Due to Restricted Funds	-	(98,544)
	2,907,183	(2,533,909)
Increase in Working Capital	$ 1,451,667	$ 8,993,304

The accompanying notes to financial statements are an integral part of these statements.

Note 1 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, accounted for as an enterprise fund of the City of Chicago and conforming with the reporting requirements set forth in National Council of Governmental Accounting (NCGA) Statements 1 and 2.

Restricted Assets

The authorizing Revenue Bond Ordinance requires that during the period in which bonds are outstanding the City of Chicago will maintain trust accounts for the proceeds from the sale of bonds and certain allocations of "Net Revenues" as defined. The assets of the trust accounts may be used only for the specific purpose of each trust.

The Revenue Bond Ordinance requires that all revenues, in each year, shall first be allocated to pay the operation and maintenance expenses of the airport, but not in excess of the amount budgeted by the City of Chicago for such purposes. The Revenue Bond Ordinance requires the remaining available "Net Revenues" shall then be allocated in the following order of priority:

a) Revenue Bond Interest - an amount equal to interest payable in the current year.

b) Debt Service Reserve - an amount necessary to maintain the balance of this reserve at an amount equal to two years' interest requirements on all bonds outstanding.

c) Revenue Bond Retirement Reserve - an amount necessary for the required minimum payments.

d) Reserve Maintenance Account - an annual payment of $1,160,000 to the Reserve Maintenance Account until $4,833,334 is accumulated. In addition, interest earned on the Reserve Balance is retained in this account.

e) Emergency Reserve - an amount equal to the sum of the annual provisions for depreciation and amortization of fixed and other assets acquired with City of Chicago money and interest on the City of Chicago money invested in fixed and other assets of the Airport.

Any amount of "Net Revenues" not considered deferred income (which is used to reduce future flight fees), as defined by the Revenue Bond Ordinance, and in excess of the required allocations above shall be allocated to the Revenue Bond Retirement Reserve.

Note 1 - Summary of Significant Accounting Policies - Continued

Investments

Investments consist of U.S. Treasury Bills and Treasury Notes, which are carried at cost. Interest is accrued only on those securities having stated interest rates, i.e., U.S. Treasury Notes. The aggregate cost and market value at December 31, 1981 and 1980, are as follows:

	Cost		Market	
	1981	1980	1981	1980
Unrestricted	$18,751,272	$18,407,791	$18,817,678	$18,567,654
Restricted	64,082,858	56,615,820	64,535,090	57,047,950
Totals	$82,834,130	$75,023,611	$83,352,768	$75,615,604

Fixed Assets

All assets are recorded at cost. Land includes the cost of earthwork and landscaping. Assets are acquired with Revenue Bond proceeds and the following three other sources:

a. City of Chicago, including capitalized interest of $171,672 in 1981 and $333,154 in 1980 for the use of City of Chicago money. Interest is capitalized from the commencement of the improvement or construction activity through completion.

b. Grant proceeds from State and Federal governmental agencies. The Grant proceeds are recognized only as received. Expenditures are initially paid for by the City of Chicago and are transferred to the State and Federal contributed capital category upon receipt of the grant proceeds. As of December 31, 1981, a maximum of approximately $29,990,000 may be realized in future periods from such grants.

c. Public utility, concessionaire and airlines by direct reimbursements of amounts expended directly and indirectly from operating revenues. The Revenue Bond Ordinance does not allow the expenditure of operating revenues for capital improvements. However, the airlines' representative has agreed to substantially all of these expenditures, which totaled $4,351,710 in 1981 and $1,437,273 in 1980. Using operating revenues for this purpose has the effect of increasing flight fees.

Depreciation and Amortization

The provision for depreciation is provided on a straight-line basis and begins in the year following the year of acquisition or completion. The estimated useful lives of significant fixed asset categories are as follows:

Water Drainage and Sewer System	20-50 Years
Runways, Aprons, Tunnels, Taxiways and Paved Roads	30 Years
Buildings and Hangars	25 Years
Electrical System	15-20 Years
Other	10-30 Years

Note 1 - Summary of Significant Accounting Policies - Continued

Depreciation and Amortization - Continued

Deferred engineering costs were amortized on a straight-line basis over 25 years, which ended December 31, 1980.

Note 2 - Revenue Bonds

General

The Chicago-O'Hare International Airport Revenue Bonds were issued under the authority of an ordinance adopted December 29, 1958, and subsequent supplemental ordinances. The Bonds, which were issued to provide monies for the initial construction and subsequent improvements of the Airport and its facilities, had a total face value of $232,000,000.

The Revenue Bonds payable at December 31, 1981 and 1980 are comprised of the following:

	1981	1980
4-3/4% Series of 1959	$ 18,205,000	$ 27,203,000
4-3/4% Series A of 1961	3,783,000	5,677,000
4-1/4% Series B of 1961	425,000	736,000
4-1/2% Series of 1967	915,000	1,289,000
5% Series of 1968	4,416,000	5,817,000
6.80% Series of 1970	25,275,000	29,085,000
6% Series of 1972	4,125,000	4,770,000
	57,144,000	74,577,000
Less - Current Maturities	6,354,000	6,036,000
Totals	$ 50,790,000	$ 68,541,000

Minimum bond retirements for future years are as follows:

1982	$ 6,354,000
1983	6,685,000
1984	7,042,000
1985	7,366,000
1986	7,673,000
1987 through 1995	22,024,000
Total	$57,144,000

Note 2 - Revenue Bonds - Continued

Retirement

Revenue Bonds are to be retired as rapidly as practicable through amounts allocated to the Revenue Bond Retirement Reserve. Bonds may be purchased or called at prices ranging from 104.5% to 100% of principal amount plus accrued interest.

The cost of bonds purchased or called amounted to $168,179,797 from issuance through 1981 excluding premiums paid. Premiums paid on Bonds purchased or called, which amounted to $1,963,886 from issuance through 1981, are charged to Airport operations in the year of purchase. Discounts on Bonds purchased, which amounted to $6,676,203 from issuance through 1981, are credited to Airport operations in the year of purchase and are retained in the Bond Retirement Reserve.

Revenue Bond Ordinance - "Net Revenues" as Defined and Allocation of "Net Revenues"

The Revenue Bond Ordinance provides that certain items be accounted for as reductions or increases to Revenues in Excess of Expenses. In 1981 a provision for doubtful accounts of $612,075 in excess of the recorded provision is necessary in determining "Net Revenues" to meet the requirements of the Revenue Bond Ordinance. "Net Revenues" as defined by the Revenue Bond Ordinance is determined as follows:

	1981	1980
Revenues in Excess of Expenses	$18,524,496	$20,588,729
Add (Deduct) Adjustments to Reflect Ordinance Basis of Accounting		
Application of Deferred Income from Preceding Year as Reduction of Flight Fees	26,601,267	17,259,265
Provision for Depreciation and Amortization	11,484,209	11,412,860
Interest on Revenue Bonds	3,729,422	4,687,497
Grant Proceeds Received for Prior Years Capital Expenditures	698,595	-
Expenditures from Reserve Maintenance Account	332,132	60,062
Interest Earned on Investments, Restricted	(7,802,385)	(4,327,676)
Expenditures of Operating Revenues for Capital Improvements	(4,351,710)	(1,437,273)
Additional Provision for Doubtful Accounts	(612,075)	-
Discount on Revenue Bonds Retired	(175,377)	(199,856)
"Net Revenues" as Defined in Revenue Bond Ordinance	$48,428,574	$48,043,608

Note 2 - Revenue Bonds - Continued

Revenue Bond Ordinance - "Net Revenues" as Defined and Allocation of "Net Revenues" - Continued

As previously stated in Note 1, the Revenue Bond Ordinance requires the "Net Revenues" to be allocated as follows:

	Amount	
	1981	1980
"Net Revenues" as Defined in Revenue Bond Ordinance	$48,428,574	$48,043,608
Revenue Bond Interest	3,729,422	4,687,497
Debt Service Reserve	-	-
Revenue Bond Retirement Reserve	6,036,000	5,736,000
Reserve Maintenance Account	-	1,160,000
Emergency Reserve	1,456,725	1,118,049
Deferred Income Which is Used to Reduce Future Flight Fees	27,807,556	26,601,267
Totals	39,029,703	39,302,813
Balance to be Allocated to Revenue Bond Retirement Reserve	$ 9,398,871	$ 8,740,795

Note 3 - Leasing Arrangements with Tenants

Leasing operations consist of the leasing of most of the airport's land, buildings and terminal space to airlines and other tenants. The operating leases for most of the airport's land, buildings and terminal space expire in 1998.

The following is a schedule by years of the minimum future rental income on noncancelable operating leases as of December 31, 1981:

1982	$ 21,241,596
1983	20,915,161
1984	20,230,419
1985	17,816,520
1986	17,784,232
Later Years	191,122,973
Total Minimum Future Rental Income	$289,110,901

Note 3 - Leasing Arrangements with Tenants - Continued

Minimum future rental income does not include contingent rentals which may be received under certain leases based on the tenants' revenues or fuel flow. Contingent rentals, excluding flight fees, amounted to approximately $8,128,000 for the year ended December 31, 1981.

In 1979, the City of Chicago received $461,421 from the sale of a bankrupt tenant's lease. This amount is being amortized over the remaining life of the lease at approximately $50,000 per year.

Note 4 - Airline Deposits

Under the terms of a Financing Participation Agreement, the City of Chicago (which is being reimbursed primarily from a Federal grant) and certain participating airlines are sharing the cost of improvements to the Federal Inspection area within the International Terminal Building. The participating airlines deposited $1,022,451 in 1979 with the City, as the airlines' share of the project cost. The deposits, interest earned on the deposits and costs of construction are included in the accompanying financial statements. The following activity took place during 1981 and 1980 relating to this agreement:

	1981	1980
Deposit Balance at Beginning of Period	$ 907,565	$1,031,901
Interest Income	122,496	101,999
Airlines' Share of Expenditures	(771,952)	(226,335)
Deposit Balance at End of Period	$ 258,109	$ 907,565

Note 5 - Pension Plans

The employees of the City of Chicago are covered under various contributory retirement plans established by state statute and administered by independent pension boards. Substantially all of the Airport employees are members of the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, the Municipal Employees', Officers' and Officials' Annuity and Benefit Fund of Chicago or the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago.

Each pension plan is financed primarily by (a) City contributions, (b) employee contributions, and (c) income from pension fund investments. The City's contributions, which are established by state statute, are multiples of the employees' contribution made two years prior. The City's contribution is financed through a separate property tax levy and the personal property replacement tax. The Airport reimburses the City's Corporate Fund for the estimated contribution which pertains to Airport employees. These reimbursements, recorded as expense, amounted to $3,157,380 and $2,813,804 in 1981 and 1980.

Note 5 - Pension Plans - Continued

All pension funds receive an actuarial valuation annually. However, the amount of unfunded liabilities or required current year actuarial provisions which pertain expressly to the Airport are not computed, as no specific identification of Airport employees is made for actuarial purposes.

Note 6 - Commitments and Contingencies

Purchase orders and contract commitments to be financed by the operation and maintenance account totaled approximately $16,221,000 at December 31, 1981. In addition, approximately $7,862,000 as of December 31, 1981, has been earmarked by Airport management for specific future projects, although not under purchase order, contract or other formal commitment.

The City of Chicago is a defendant in litigation related to the Airport in which a judgement was entered against the City on January 6, 1982. The City of Chicago has appealed the decision. In the opinion of the City this claim will not have a material effect on the financial condition of the Airport.